

*State of New Jersey*  
Casino Control Commission

2004 Annual Report

*The 2004 Annual Report of the  
New Jersey Casino Control Commission  
is submitted to the Governor and New Jersey Legislature.*



*Richard J. Codey  
Acting Governor*

## 2004 COMMISSIONERS

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*Pictured left to right: Vice Chair Michael C. Epps, Commissioner Ralph G. Frulio, Chair Linda M. Kassekert, Commissioner William T. Sommeling and Commissioner Michael A. Fedorko*

*Photographed by AC Photo, Linwood, New Jersey at the World War I Monument, Atlantic City, New Jersey.*

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## MESSAGE FROM THE CHAIR

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Casino gambling was approved by the voters in 1976 as a “unique tool of urban redevelopment” for Atlantic City. In 2004, that redevelopment took great strides forward with a variety of new projects that enhance the unique character of Atlantic City.

For example, the opening of The Quarter at the Tropicana, with its assortment of fine shops and restaurants, is helping transform the image of Atlantic City as a place that offers more than just gambling. Since I joined the Commission, the number of hotel rooms has increased by 30 percent with projects like the Borgata and expansions at Resorts, the Tropicana and Showboat. That represents an investment of more than \$2 billion in an effort to reinvent and rebuild Atlantic City. Efforts by the Casino Reinvestment Development Authority to complete The Walk, an outlet shopping mall connecting the Convention Center with the casinos on the Boardwalk, are complimenting the industry’s investment.

Clearly, the efforts are working. The number of visitors - more importantly, the number of overnight visitors – is increasing. More people are coming to Atlantic City, more people are spending the night in Atlantic City and more people are spending a lot more money in Atlantic City. The ability to attract more people for longer periods will be increasingly important in the years to come. It will give Atlantic City a competitive edge when

casinos have to face expanded gaming opportunities in New York, Pennsylvania and other nearby states. And that’s why it is encouraging to see that the transformation of the city is continuing.

There is work underway to create a House of Blues at Showboat and a Nikki Beach Club is planned at Resorts. The Pier at Caesars will offer more high-end retail shopping while the Casino Reinvestment Development Authority has announced plans that will nearly double the size of The Walk. These and other projects hold great promise for the future of Atlantic City’s gaming industry.

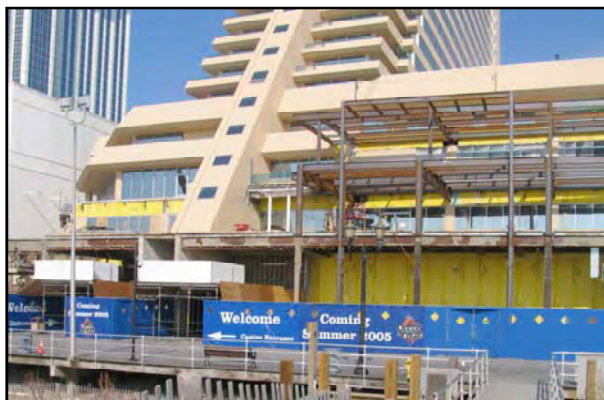
We know that one of the reasons why Atlantic City is prospering is because of the level and quality of regulation over the casino industry. I am proud of the work done by the Casino Control Commission to balance the needs of the casino industry within a healthy regulatory environment while maintaining public confidence through high standards for integrity. We are committed to maintaining that balance to reassure the public that games are fair and the people who run them are honest and to reassure casino operators that they will have the ability to survive and thrive under a fair and reasonable set of regulations.

*Linda M. Kassebaum*





*Caesars Transportation Center is scheduled to open fall 2005. It is located on Pacific Avenue between Michigan and Arkansas. The center will provide much needed parking for new attractions, The Walk, The Pier at Caesars and the proposed expansion of the Atlantic City Medical Center.*



*Construction of House of Blues Atlantic City at Showboat is anticipated for completion by summer 2005.*



*Proposed as a retail, restaurant and entertainment renaissance, the Pier at Caesars is designed to capitalize on the rich tradition of Atlantic City.*



*Bally's is looking to improve its Boardwalk exposure by redesigning its facade as a result of new legislation governing Casino Reinvestment Development Authority credits.*

## MEMBERS OF THE COMMISSION

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Linda M. Kassekert  
Chair

Linda M. Kassekert was appointed by Gov. James E. McGreevey in November 2002 to chair the New Jersey Casino Control Commission. Prior to joining the Commission, Chair Kassekert was the associate director of government relations for the New Jersey Education Association and also has 12 years of experience in various positions in state and county government. She spent a year as an assistant county counsel in Camden County in 1994 and 1995. She represented the county in the state courts in litigation dealing with employment law, contracts and other governmental matters. Between 1990 and 1994, Chair Kassekert was the deputy commissioner in the New Jersey Department of Personnel in Trenton and served for a period as acting commissioner. She holds a law degree from Widener University School of Law and is admitted to practice in New Jersey and Pennsylvania. In addition, she received a masters degree in Public Policy from Rutgers University and a bachelor of science degree in Political Science from Gettysburg College. Chair Kassekert serves as the Commission's representative and member of the Casino Reinvestment Development Authority. She also holds board memberships on the Southern New Jersey Development Council and Cooper Hospital Health Systems. Chair Kassekert is the first woman to be named chair of the Commission. Her term expires in 2007.



Michael C. Epps  
Vice Chair

Michael C. Epps was appointed to the New Jersey Casino Control Commission by Acting Gov. Donald T. DiFrancesco and was sworn into office in January 2002. Prior to his appointment, Commissioner Epps served as general counsel for the Atlantic City Board of Education. Prior to joining the Board of Education, he was an associate with the law firm of Horn, Goldberg, Gorney, Plackter, Weiss & Perskie in Atlantic City. The first Atlantic City native to serve on the Commission, Commissioner Epps graduated from Atlantic City High School. He earned a bachelor of science degree in Broadcast Journalism from the University of Maryland and a Juris Doctorate from Howard University School of Law. He is a member of the American Bar Association, the New Jersey Bar Association and the Atlantic County Bar Association. He currently serves as commissioner on the Atlantic County Utilities Authority, is a member of the Advisory Board of the First Tee of Greater Atlantic City and serves on the Board of Directors of Atlantic City Special Improvement District and is a trustee of the Casino Law Section of the New Jersey Bar Association. In January 2005, Commission members elected him vice chair. His term expires in 2006.

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*“The Casino Control Commission administers the Casino Control Act and its regulations to assure the public trust and confidence in the credibility and integrity of the casino industry and casino operations. The Commission also supports the continued development of tourist and convention facilities in Atlantic City which contributes to the economic strength and viability of the tourist, convention and resort industry in the State of New Jersey.”*

*- New Jersey Casino Control Commission Mission Statement (eff. 1/28/04)*

Michael A. Fedorko was appointed to the New Jersey Casino Control Commission by Governor Christine Todd Whitman in November 1999. Commissioner Fedorko came to the Commission after more than 30 years in the New Jersey State Police, retiring as the Acting Superintendent. Commissioner Fedorko is a veteran of the United States Marine Corps serving in Vietnam. He completed his undergraduate studies at Trenton State College earning a bachelor of science degree in Criminal Justice. He earned a masters degree in Governmental Administration from the University of Pennsylvania and attended the Management Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University. He serves on the board of the Marine Corps Law Enforcement Foundation, the McGuire Memorial Foundation, the International Association of Chiefs of Police, Atlantic City Regional Chamber of Commerce, and the First Tee of Greater Atlantic City. In May 2004, Commissioner Fedorko was re-nominated for another five year term by Gov. James E. McGreevey.



*Michael A. Fedorko  
Commissioner*

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William T. Sommeling was appointed to the New Jersey Casino Control Commission by Gov. Christine Todd Whitman in November 2000. Prior to joining the Commission, he served as undersheriff in Ocean County for 11 years. Commissioner Sommeling has more than 35 years of experience in law enforcement, including several positions in casino surveillance departments within the gaming industry. Active in politics for years, he held many positions in local and county government. He completed his undergraduate studies at Ocean County College and Trenton State College earning a bachelors of science degree in Criminal Justice. He also earned a masters degree in Administration from Rider University and also attended Cornell University's School of Hotel Administration. Commissioner Sommeling is active in a number of professional and civic organizations, including the FBI National Academy Associates, International Association of Chiefs of Police and the Emerald Society of New Jersey. Commissioner Sommeling served as vice chair during 2004. His term expires in 2005.



*William T. Sommeling  
Commissioner*

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Ralph G. Frulio was appointed to the New Jersey Casino Control Commission by Gov. James E. McGreevey and was sworn into office in May 2003. Commissioner Frulio served the remaining months of former Commissioner Diane M. Legreide's unexpired term. He became the the first former Commission employee to rise through the ranks from an inspector in 1978 to become a commissioner in 2003. Prior to his employment with the Commission, Commissioner Frulio worked for the Federal Bureau of Investigation as part of the Anti-Racketeering Unit in New York City. He holds a masters degree in Public Administration from the University of Central Michigan and a bachelors degree in Political Science from Richard Stockton State College. Commissioner Frulio is also a veteran of the United States Air Force. In January 2004, he was sworn in as Commissioner for his own five-year term. His term expires in 2008.



*Ralph G. Frulio  
Commissioner*



## EXECUTIVE MANAGEMENT OF THE COMMISSION



*Richard P. Franz, Director  
Division of Compliance*

*Rosemary Graziano  
Chief of Staff*

*Noreen Iannuzzi, Director  
Division of Financial Evaluation*

*Linda Brooks, Director  
Division of Administration*

*Marvin Askins  
Affirmative Action Officer*

*Christopher D. Storcella, Director  
Division of Licensing*

*Dianna Fauntleroy  
General Counsel*

# OPERATIONS OF THE COMMISSION

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## *Chief of Staff's Office*

The Chief of Staff reports directly to the Chair. The primary responsibility of the Chief of Staff is to ensure that the Commission functions effectively. The Chief of Staff directs strategic planning, agency-wide policy development and the implementation of plans and policies. The Commission's budget process and all administrative matters for the division directors are also handled by the office.

The Public Information Officer reports directly to the Chief of Staff and is responsible for media relations for the Commission. Detailed information on the regulatory system, the casino industry and the impact of casino gaming on the City of Atlantic City and the state is provided through the Public Information Officer.

The Community and Employee Events Unit also reports to the Chief of Staff. This unit coordinates employee events, prepares publications for internal and external distribution and serves as liaison between the Commission and various community groups and non-profit organizations throughout Atlantic County.

### *The Chief of Staff's Office Year in Review:*

- ▶ Distributed approximately 90 casino industry financial reports each month and 50 casino industry financial reports each quarter to Commission subscribers;
- ▶ Updated database options to provide faster receipt by subscribers of the monthly casino industry financial reports by sending reports electronically;
- ▶ Reviewed the Equal Employment and Business Opportunity Plans (EEBOPs) for seven casino licensees with a self-assessment of Borgata's implementation of its initial EEBOP approved at its first casino license renewal hearing in June 2004;
- ▶ Assisted in the preparation of approximately

two dozen PowerPoint presentations and a number of speeches for Commissioners to deliver to college classes, community groups, conferences, visiting officials and regulators from other jurisdictions, and casino investors;

- ▶ Handled more than 2,000 inquiries from the news media, public officials, stock analysts, investment bankers, the general public and others about a wide range of topics dealing with the Commission, gaming and Atlantic City;
- ▶ Responded to requests from the media, the general public and others for thousands of pages of public documents;
- ▶ Served as primary lead for the Self-Exclusion Awareness Program. Distributed approximately 6,000 Self-Exclusion brochures for problem gamblers to Atlantic City casinos, conferences and treatment facilities throughout New Jersey;
- ▶ Provided technical support to Casino Reinvestment Development Authority (CRDA's) Summit at the Shore I and II and served as a member of the 2005 Planning Committee for the New Jersey Governor's Conference on Tourism; and
- ▶ Organized Commission's African-American Heritage Celebration, Family Night at the Atlantic City Surf and the first Employee Programs and Quality of Life Fair.

## *Office of the General Counsel*

The Office of the General Counsel is composed of four units: the Licensing Unit, the Compliance Unit and the Casino Licensing and Regulatory Affairs Unit, which now also includes the Administrative Practice Unit.

The Licensing Unit advises the Commission on the majority of the agency's contested cases.

The Compliance Unit is responsible for providing legal advice to the Commission and its Compliance Division on matters relating to accounting and internal controls, gaming equipment, the rules of the games, and casino floor expansions.

The Casino Licensing and Regulatory Affairs Unit handles all casino licensing and renewals, and it is the unit primarily responsible for regulatory review.

The Administrative Practice Unit, recently transferred from the Division of Administration to the General Counsel's Office, coordinates preparation of the public meeting agenda, notices and minutes, and access to public records.

### *The Office of the General Counsel's Year in Review:*

- ▶ Opened 927 new contested license and casino violations cases;
- ▶ Managed an average of 400 contested cases per month, including scheduling 13 hearings and closing 963 cases;
- ▶ Assisted Commission during the first casino license renewal for Borgata and four-year license renewals for Bally's, Hilton, Caesars, Resorts, and Sands;
- ▶ Authorized the testing of nine new table games;

- ▶ Drafted numerous regulations authorizing casino licensees to implement new technologies and marketing strategies;

- ▶ Addressed 447 patron complaints and 1,582 incident reports;

- ▶ Assisted Commission during review and approval of a \$1.6 billion credit facility that Boyd Gaming used to acquire Coast Casinos;

- ▶ Assisted Commission during Sands' debt restructuring;

- ▶ Assisted Commission during review and approval of Resorts' acquisition of contiguous land parcels from Kerzner North America;

- ▶ Reviewed proposed statutory amendments to Casino Control Act and implemented regulatory amendments consistent with adopted amendments which included gradual phase out of the state tax on complimentary items and the elimination of joint and several liability as it relates to operation and administration of Multi-Casino Progressive Slots;

- ▶ Continued to maintain the official records of the Commission, and responded to approximately 75 requests for information and/or documents under the Freedom of Information Act and the Open Public Records Act.

## *Division of Administration*

The Division of Administration encompasses four units: the Administrative Operations Unit, the Budget and Fiscal Office, the Human Resources Unit, and the Information Technology Unit.

The Administrative Operations Unit is the organizational hub of the agency. It manages incoming and outgoing mail, transportation, central files, regulations processing, public meeting organization, and all facilities operations.

The Budget and Fiscal Office oversees the Commission's annual budget, purchasing, and agency fiscal operations services.

The Human Resources Unit is responsible for all personnel and employee services, including new hires, promotions, time and leave, and employee benefits and compensation.

The Information Technology Unit delivers Agency-wide technology services, including computer infrastructures, telecommunications, and eGovernment initiatives.

### *The Division of Administration's Year in Review:*

- ▶ Completed recruitment of new Budget & Fiscal and Human Resources managers;
- ▶ Continued revision of agency-wide Policies and Procedures;
- ▶ Provided comprehensive Leadership & Management training to all Agency managers and supervisors;
- ▶ Provided additional specialized training to Agency personnel;
- ▶ Collaborative efforts within the Division of Administration resulted in significant process improvements in purchasing functions;

- ▶ Revamped new hire orientation procedures;
- ▶ Accomplished major physical plant improvements such as replacement of all windows and window treatments, extensive roof repairs, and the upgrading of HVAC systems and services;
- ▶ Constructed License Division alternate cage facility to ensure and improve customer service;
- ▶ Expanded the Business Continuity Plan, improved critical contact and emergency procedures, and established a disaster recovery site to support continuity of critical business operations in an emergency situation;
- ▶ Performed hardware upgrades on internal equipment to increase the availability of Commission computer applications;
- ▶ Streamlined electronic communications between the industry and the Commission, migrating paper-based file transfers to electronic methods; and
- ▶ Modified computer applications in response to legislative changes that impact reporting and licensing within the industry.

## *Division of Compliance*

The Division of Compliance consists of a Director's Office and two operating units – the Casino Operations Unit and the Inspection Unit. The Division of Compliance is the largest division in the Commission, comprising over half of the agency's work force.

The Casino Operations Unit is responsible for assuring that each casino licensee provides adequate internal controls over gaming operations and is in compliance with pertinent sections of the Casino Control Act and related regulations. The unit also reviews submissions seeking approval of new gaming equipment, new games and new rule options on existing games.

The Inspection Unit continues to be the most visible unit within the Commission; they are present in the casinos 24 hours a day, 7 days a week. The Principal Inspectors and Inspectors assigned to each casino ensure the integrity of casino operations by monitoring gaming activities and certifying all gaming revenue. In addition they assist patrons by taking their complaints and addressing any problems or concerns they may have.

### *The Division of Compliance's Year in Review:*

- ▶ Reviewed more than 2,200 internal control submissions;
- ▶ Approved the use of ticket redemption machines and ticket counting equipment for all casino licensees furthering the expansion of this new slot machine technology;
- ▶ Reviewed the security over several new technologies and enhancements to current technologies used by the casino licensees for their gaming computer systems. Continued to become more involved in the security and integrity of these computerized systems and how they are managed by the casinos;
- ▶ Reviewed more than 25 poker gaming tournaments, many of them nationally televised, in conjunction with the rapid spread in popularity of this game;
- ▶ Participated in the implementation of several new casino table games and multi-casino linked progressive slot systems;
- ▶ Approved the implementation of the first slot bonusing system;
- ▶ Throughout 2004 the casino industry saw significant growth in the use of ticketing on their slot machines. The Inspection Unit played a major role in approving the new slot machines and equipment with the ticketing feature to ensure that the new ticketing systems were working in accordance with all approved regulations;
- ▶ The Inspection Unit was involved in the major expansions at Resorts and Tropicana. The Resorts expansion involved the increase of casino floor space in addition to the building of a new hotel tower. The Tropicana expansion involved an increase in casino floor space along with a new hotel tower and the opening of "The Quarter," a new shopping and restaurant area;
- ▶ The Inspection Unit accepted and processed 242 complaints from gaming patrons;
- ▶ Principal Inspectors approved 1,795 gaming related submissions and petitions, including 405 certificate of operation amendments approvals; and
- ▶ Principal Inspectors, through authority delegated to the Director, authorized an additional 104 table games, 248 slot machines and 52,671 square feet of gaming space.



## *Division of Financial Evaluation*

The Division of Financial Evaluation provides expert advice and consultation to the Commissioners on all matters of a financial/economic nature, collects all taxes and fees required by the Casino Control Act, and through its team of auditors, ensures the sufficiency of various tax payments to the Casino Revenue Fund.

The division consists of three units; the Audit Unit, the Financial Evaluation Unit and the Revenue Unit. Working as a team, these three units provide oversight to over \$500 million in casino related revenues to the State of New Jersey.

### *The Division of Financial Evaluation's Year in Review:*

▶ Assumed responsibility for the administration of five additional casino related taxes/fees. Previously collected by the State's Division of Taxation, the Division of Financial Evaluation now has the responsibility for the collection, auditing and reporting of the Casino Parking Fee, the Casino Net Income Tax, the Casino Complimentary Tax, the Casino Hotel Room Fee and the Tax on Multi-Casino Progressive Slot Revenue;

▶ Collected \$377.5 million in Gross Revenue Tax to fund programs that benefit the aged and disabled citizens of the state;

▶ Collected and deposited \$577,285 in Commission imposed fines to the State's General Fund to provide funding for the Council on Compulsive Gambling of New Jersey;

▶ The Revenue Unit collected \$64.5 million in licensing fees from the casino industry to fund the operations of both the Commission and the Division of Gaming Enforcement;

▶ Monitored the implementation of voucher redemption machines throughout the industry to ensure the proper reporting of Gross Revenue;

▶ Continuously adapted the tax examination program to properly account for revised regulations and internal control procedures;

▶ Reviewed 77 notices of document destruction and approved three petitions for off-site storage facilities;

▶ Completed the required agency annual internal control review resulting in a clean audit report to OMB;

▶ Undertook financial stability reviews for eight of the twelve casino licensees in conjunction with their casino license renewal proceedings, which included a full financial review of their parent companies;

▶ Analyzed debt refinancings for Borgata and Aztar; and

▶ Evaluated the financial implications of the Sands' debt exchange offer.

## *Division of Licensing*

The Division of Licensing consists of four operating units: the Employee License Unit, the Enterprise License Unit, the Support Services Unit, and the Director's Office.

The Employee License Unit is responsible for all activities that affect the licensing and registration of casino employees.

The Enterprise License Unit oversees the licensing of gaming and non-gaming related casino service industries and junket enterprises, vendor registration and the registration of labor organizations.

The Support Services Unit provides application support services to Division of Licensing staff and is the main repository for all active license application files processed by the Division of Licensing.

The Director's Office manages all aspects of casino hotel alcoholic beverage licensing and oversees the division's daily operations.

### *The Division of Licensing's Year in Review:*

- ▶ Processed nearly 11,500 applications for initial and renewal employee licenses and registrations;
- ▶ Oversaw the employment of more than 47,000 people in Atlantic City casinos;
- ▶ Began accepting credit card payments for application fees and administrative charges;
- ▶ Initiated the electronic transmission of the Commission's Self-Exclusion List;
- ▶ Participated in the development of amendments to the Commission's regulations to require comprehensive identification and employment authorization documents;
- ▶ Implemented a legislative amendment requiring the biennial registration of labor organizations;

- ▶ Began the electronic exchange of data with the Borgata, Sands and Tropicana casinos;

- ▶ Maintained nearly 49,000 active employee and enterprise license application files;

- ▶ Issued 11 Casino Hotel Alcoholic Beverage licenses in connection with the opening of The Quarter at Tropicana; and

- ▶ Authorized casino licensees to operate six beach bars and hold 15 special events during the summer.

## *Affirmative Action Officer*

The role of the Affirmative Action Officer is to ensure that the Commission adheres to all Federal and State laws and equal employment opportunity and affirmative action policies for the protection of all employees at the Commission. The office provides Equal Employment orientation sessions to all new employees to make them aware of the State and Commission policies and procedures. All employees are also required to undertake sexual harassment training and pass the required test as part of their orientation.

### *The Affirmative Action Officer's Year in Review:*

- ▶ Monitored employment and promotional activity at the Commission including the hiring of 18 new employees of whom ten (56%) were female and four (22%) were minority and the promotions of 20 employees of whom nine (45%) were female and nine (45%) were minority; and
- ▶ Participated in 12 career fairs throughout New Jersey, speaking to approximately 1,150 individuals who are interested in considering careers with the Commission.

## *New Jersey*

### *Casino Control Commission* **MISSION STATEMENT**

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*The Casino Control Commission administers the Casino Control Act and its regulations to assure the public trust and confidence in the credibility and integrity of the casino industry and casino operations. The Commission also supports the continued development of tourist and convention facilities in Atlantic City which contributes to the economic strength and viability of the tourist, convention and resort industry in the State of New Jersey.*

*In order to successfully fulfill its mission, the Casino Control Commission adopts the following core organizational goals:*

- 1. Decisions are guided by what is in the best interest of the organization and its responsibilities to assure the public trust and confidence in the credibility and integrity of the regulatory process and of casino operations;*
- 2. The development of positive customer relationships is a priority;*
- 3. The evolving demands of the industry are met promptly and efficiently; and*
- 4. Effective communication and team-work are crucial to success.*

Linda M. Kassekert, Chair  
January 28, 2004

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## EMPLOYEE RECOGNITION AWARDS

### *Sandra Donahue Employee Recognition Award and State of New Jersey Public Service Award Recipients*



*Karen Koptic  
Division of Administration  
IT Unit  
Longevity Award*



*Ronald Mitchell  
Division of Compliance  
Inspection Unit  
Longevity Award*



*Robert Varghese  
Division of Administration  
IT Unit  
Co-worker Recogniton Award and  
2004 Sandra Donahue Employee Recognition Award*

COMMISSION STATISTICS



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## NEW JERSEY CASINO INDUSTRY EMPLOYMENT STATISTICS

FOR THE FOUR YEARS ENDED DECEMBER 31, 2004

	2004	2003	2002	2001
AC Hilton	3,089	3,233	3,298	3,337
Bally's Atlantic City	6,866	7,166	5,672	5,636
Borgata <sup>1</sup>	5,548	5,076	n/a	n/a
Caesars	4,220	4,399	4,803	4,646
Claridge <sup>2</sup>	n/a	n/a	2,220	2,282
Harrah's Marina	2,886	3,033	3,259	3,172
Resorts	2,840	2,815	3,066	3,151
Sands	2,095	2,221	2,511	3,005
Showboat	2,707	3,052	3,176	3,129
Tropicana	5,044	4,490	4,739	4,958
Trump Marina	2,550	2,742	3,016	3,109
Trump Plaza	2,920	3,073	3,512	3,561
Trump Taj Mahal	4,736	4,859	5,548	5,606
<b>TOTALS</b>	<b>45,501</b>	<b>46,159</b>	<b>44,820</b>	<b>45,592</b>

## NEW JERSEY CASINO INDUSTRY SALARIES AND WAGES

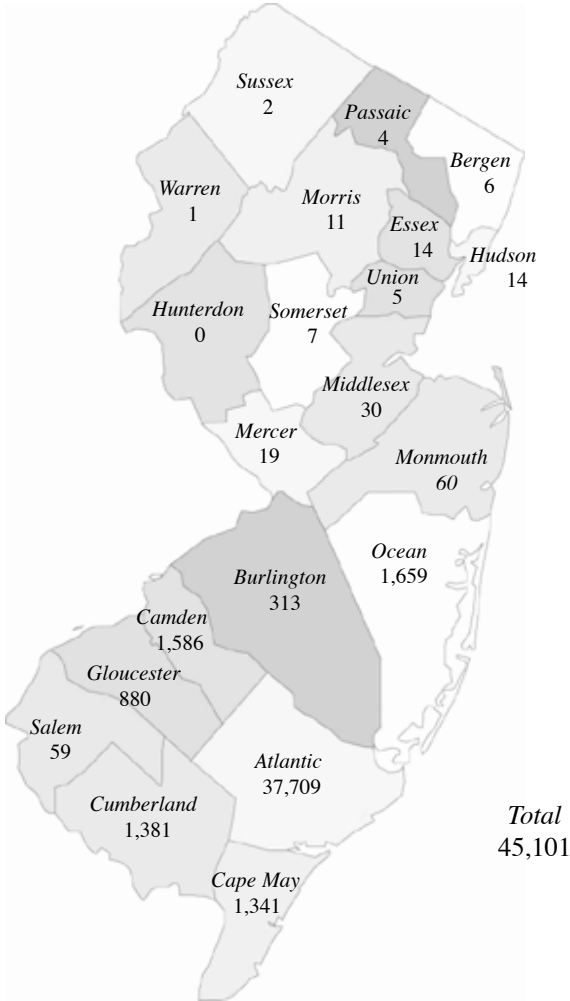
FOR THE FOUR YEARS ENDED DECEMBER 31, 2004 (\$ IN THOUSANDS)

	2004	2003	2002	2001
AC Hilton	\$ 81,847	\$ 84,243	\$ 85,252	\$ 84,680
Bally's Atlantic City	174,982	181,890	138,920	137,382
Borgata	120,929	61,627	n/a	n/a
Caesars	105,313	110,748	116,560	112,041
Claridge	n/a	n/a	54,726	58,031
Harrah's Marina	78,610	82,635	83,450	82,397
Resorts	69,742	69,171	72,943	71,659
Sands	51,696	55,102	62,094	70,333
Showboat	74,195	80,252	80,174	79,892
Tropicana	95,689	94,600	101,174	102,505
Trump Marina	69,207	73,737	77,153	77,403
Trump Plaza	78,089	82,595	86,116	89,182
Trump Taj Mahal	123,973	130,100	136,713	136,438
<b>TOTALS</b>	<b>\$ 1,124,272</b>	<b>\$ 1,106,700</b>	<b>\$ 1,095,275</b>	<b>\$ 1,101,943</b>

<sup>1</sup> Borgata opened in July of 2003.

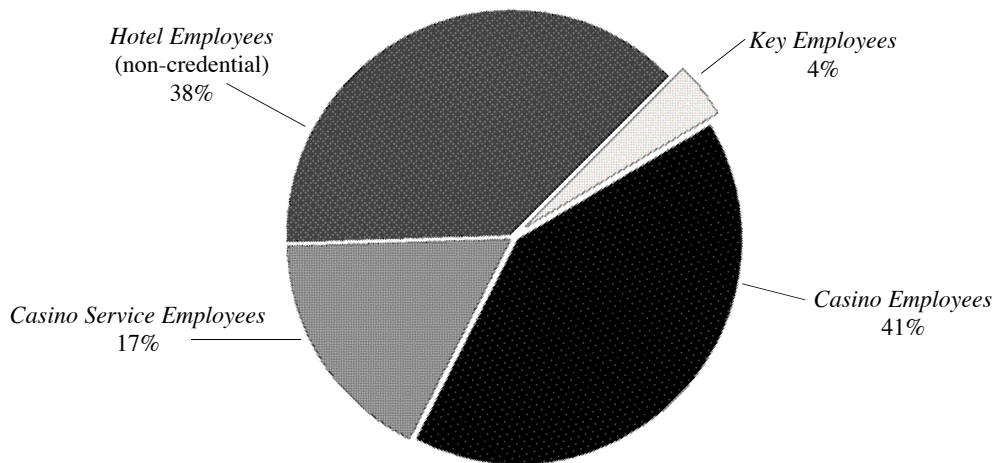
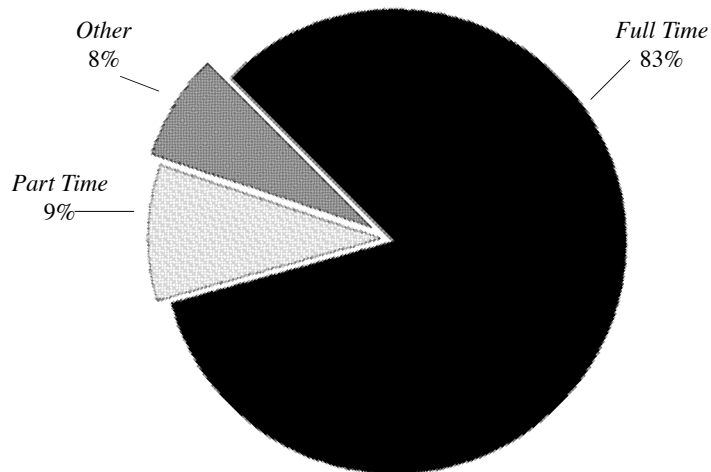
<sup>2</sup> Bally's Skyscraper Inc., t/a Claridge Casino Hotel merged with and into Bally's Atlantic City in December of 2002.

**EMPLOYMENT BY ATLANTIC CITY CASINO LICENSEES BY COUNTY**  
*FOR THE YEAR ENDED DECEMBER 31, 2004*



*Approximately 400 individuals are employed in the casino industry but live outside of New Jersey.*

**NEW JERSEY CASINO INDUSTRY BY TYPE OF EMPLOYMENT**  
FOR THE YEAR ENDED DECEMBER 31, 2004



The difference between the employment total of 44,823 and the total New Jersey Casino Employment total of 45,501 found elsewhere is 678. The difference is due to incomplete or missing information from the casino industry during the transfer of employment information to the Commission. The incomplete information does not allow us to determine the license category.

**EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2004

**Casino Key Employees:**

Applications Filed	167
Licenses Issued	221

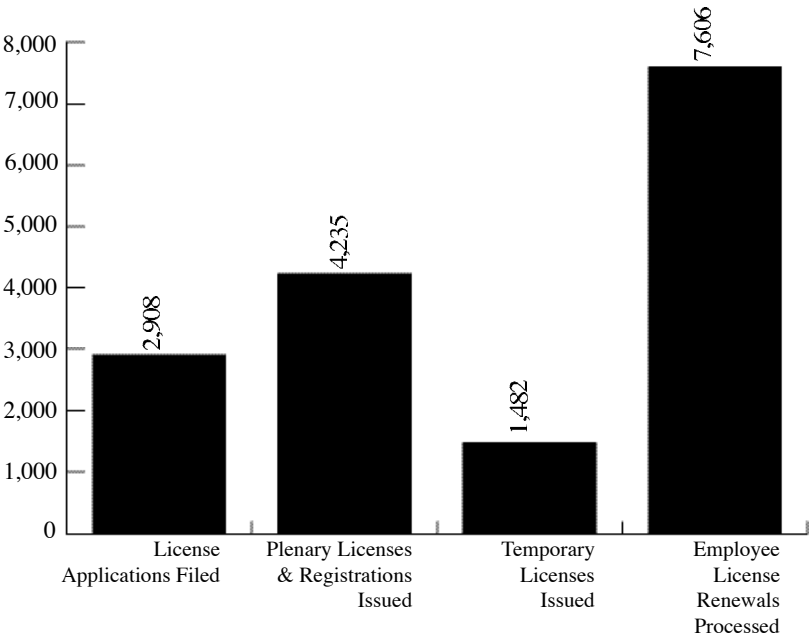
**Casino Employees:**

Applications Filed	2,741
Licenses Issued	2,420

**Casino Service Employees:**

Registrations Issued	1,594
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**TOTAL EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2004



# NEW JERSEY CASINO INDUSTRY FACILITY STATISTICS AT DECEMBER 31, 2004 AND 2003

	AC HILTON		BALLY'S AC		BORGATA		CAESARS		HARRAH'S		RESORTS	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>TABLE GAMES:</b>												
Blackjack	37	37	70	88	63	74	56	57	27	30	39	25
Craps	8	9	13	16	12	12	13	13	6	5	7	6
Roulette	8	10	24	24	17	13	13	15	8	8	8	8
Big Six	-	-	2	2	1	1	1	3	-	-	1	-
Baccarat	1	1	2	2	2	2	1	2	-	-	3	4
Minibaccarat	7	5	11	8	5	4	2	3	1	1	3	2
Sic Bo	-	-	1	1	-	1	1	1	-	-	-	-
Pai Gow Poker	4	4	10	8	5	4	3	4	1	1	1	1
Pai Gow	3	3	3	3	2	2	1	1	-	-	2	-
Poker	-	-	20	10	34	34	-	-	16	6	-	-
Caribbean Stud Poker	3	4	7	10	4	-	4	4	3	3	2	3
Let it Ride Poker	3	4	7	8	4	4	4	5	4	5	3	3
Spanish 21	-	-	10	10	4	4	6	6	1	1	2	2
Three Card Poker	9	7	15	13	12	8	8	9	9	7	6	5
Boston 5 Stud Poker	-	1	-	3	-	-	1	3	-	-	1	1
Double Cross Poker (a)	-	-	-	-	-	-	-	-	-	-	-	-
Four Card Poker (c)	3	-	7	-	4	-	4	-	2	-	1	-
Double Attack Blackjack (d)	-	-	-	-	-	-	1	-	-	-	-	-
<b>Total Table Games</b>	86	85	202	206	169	163	119	126	78	67	79	60
<b>KENO WINDOWS</b>												
	-	-	4	4	-	-	6	6	4	4	-	-
<b>SLOT MACHINES:</b>												
\$.05 Slot Machines	451	466	1,286	1,275	1,021	892	631	794	783	816	594	393
\$.25 Slot Machines	906	939	2,795	3,214	1,331	1,619	1,421	1,593	1,642	2,081	1,179	1,302
\$.50 Slot Machines	146	156	444	506	208	216	245	285	254	300	195	240
\$1 Slot Machines	319	291	661	768	420	484	419	438	694	821	284	255
\$5 Slot Machines	91	91	157	166	100	107	110	113	107	114	93	84
\$25 Slot Machines	12	12	24	27	16	16	14	15	13	10	7	9
\$100 Slot Machines	12	12	12	13	12	10	18	16	9	5	7	7
Multi-Denominational (b)	-	-	-	-	217	169	113	-	30	-	420	-
Other Slot Machines	106	52	483	175	216	79	255	120	162	92	146	64
<b>Total Slot Machines</b>	2,043	2,019	5,862	6,144	3,541	3,592	3,226	3,374	3,694	4,239	2,925	2,354
Casino Square Footage	59,800	59,612	179,108	179,108	116,302	115,892	118,424	117,910	131,780	127,049	83,759	63,294
Simulcast Square Footage	-	-	46,232	46,232	7,951	9,112	4,312	7,342	-	-	15,134	11,807
Number of Hotel Rooms	804	804	1,745	1,745	2,000	2,002	1,140	1,140	1,630	1,630	879	479
Number of Parking Spaces	1,825	1,825	4,086	4,086	4,749	5,775	2,898	2,938	3,822	3,822	1,337	1,336
Property & Equipment												
Gross (\$Millions)	\$ 570.3	\$ 555.3	\$ 1,288.3	\$ 1,265.8	\$ 1,041.0	\$ 1,021.6	\$ 922.1	\$ 903.4	\$ 836.4	\$ 795.6	\$ 292.4	\$ 212.7
Number of Employees	3,089	3,233	6,866	7,166	5,548	5,076	4,220	4,399	2,886	3,033	2,840	2,815

(a) Double Cross Poker commenced operations in July 2003.

(b) Multi-Denominational Slot Machines approved for use in May 2003.

(c) Four Card Poker commenced operations in May 2004.

(d) Double Attack Blackjack commenced operations in January 2004.



SANDS		SHOWBOAT		TROPICANA		TRUMP MARINA		TRUMP PLAZA		TRUMP TAJ MAHAL		INDUSTRY	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
35	31	27	25	71	66	32	39	39	41	54	55	550	568
4	5	4	5	9	10	7	7	6	6	11	11	100	105
6	8	6	6	14	13	7	6	9	9	14	13	134	133
1	-	1	1	1	1	-	-	1	1	1	1	10	10
2	1	2	2	2	3	2	2	3	2	4	4	24	25
4	1	3	2	6	6	3	2	8	8	5	7	58	49
-	-	-	-	1	1	-	-	1	1	1	1	5	6
2	1	2	3	6	6	3	3	5	5	7	7	49	47
2	-	2	2	6	6	1	1	4	3	4	4	30	25
14	14	-	-	42	42	-	-	-	-	78	66	204	172
2	2	2	2	3	3	2	2	2	3	3	3	37	39
3	3	2	3	3	3	3	2	3	3	3	4	42	47
2	2	1	2	2	2	3	2	3	2	5	6	39	39
6	5	6	5	12	7	7	7	5	5	9	9	104	87
-	1	-	-	2	2	1	1	1	1	1	2	7	15
-	1	-	-	-	1	1	1	-	-	-	-	1	3
-	-	1	-	-	-	4	-	-	-	3	-	29	-
-	-	-	-	-	-	-	-	1	-	2	-	4	-
83	75	59	58	180	172	76	75	91	90	205	193	1,427	1,370
-	-	-	-	-	-	-	-	-	-	2	2	16	16
482	519	831	907	1,034	1,039	662	637	656	705	934	998	9,365	9,441
1,038	1,052	2,098	2,200	1,799	1,929	1,213	1,188	1,388	1,590	2,164	2,417	18,974	21,124
133	150	166	198	318	350	86	197	218	189	325	345	2,738	3,132
329	356	449	517	693	736	351	340	330	285	687	710	5,636	6,001
69	76	65	109	123	131	72	73	72	73	136	142	1,195	1,279
8	6	4	4	17	17	11	11	13	13	13	13	152	153
4	5	4	4	12	12	6	6	6	6	13	9	115	105
68	-	154	-	-	-	16	-	26	-	5	-	1,049	169
74	38	202	35	334	189	128	49	133	45	142	36	2,381	974
2,205	2,202	3,973	3,974	4,330	4,403	2,545	2,501	2,842	2,906	4,419	4,670	41,605	42,378
57,154	58,527	101,299	101,586	139,737	140,026	65,057	65,057	91,366	91,181	120,549	120,549	1,264,335	1,239,791
20,933	19,424	14,109	14,109	8,380	8,380	14,601	14,601	-	-	38,537	36,846	170,189	167,853
620	637	1,309	1,309	2,125	1,625	728	728	904	904	1,250	1,250	15,134	14,253
1,684	1,684	3,752	3,051	5,365	3,189	2,986	2,986	2,658	2,698	7,180	7,180	42,342	40,570
\$ 217.0	\$ 209.4	\$ 670.7	\$ 666.8	\$ 1078.9	\$ 947.4	\$ 590.1	\$ 581.9	\$ 679.1	\$ 665.3	\$ 1,159.2	\$ 1,140.8	\$ 9,345.5	\$ 8,966.0
2,095	2,221	2,707	3,052	5,044	4,490	2,550	2,742	2,920	3,073	4,736	4,859	45,501	46,159

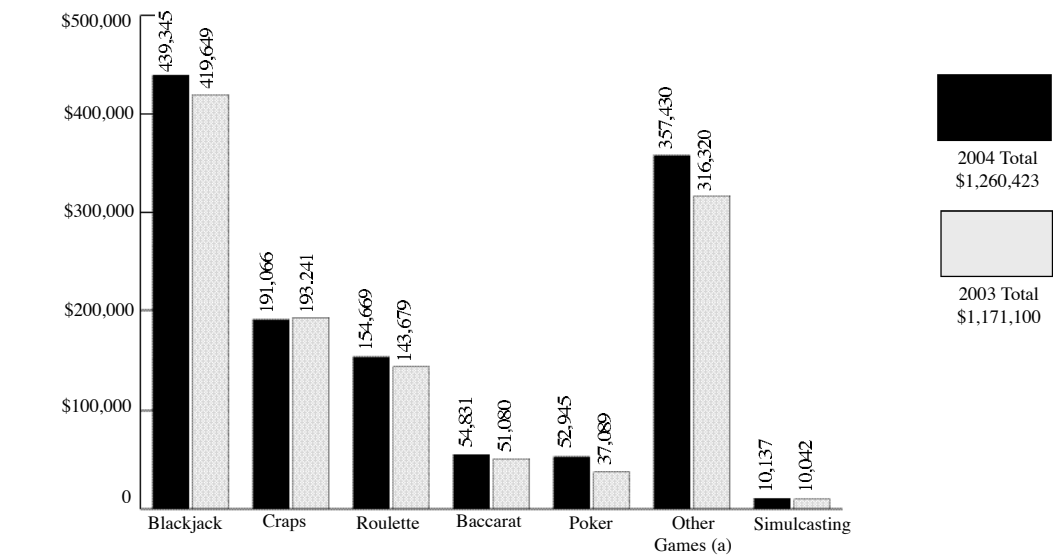
**NEW JERSEY CASINO INDUSTRY GROSS REVENUE STATISTICS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (\$ IN THOUSANDS)**

<i>Casino Hotel</i>	<i>Casino Win</i>	<i>Daily Average Casino Win</i>	<i>Adjustment for Uncollectibles</i>	<i>Gross Revenue</i>	<i>Tax</i>	<i>Market Share of Casino Win</i>
<b>AC Hilton</b>						
2004	\$ 295,433	\$ 807	-	\$ 295,433	\$ 23,635	6.1%
2003	\$ 309,359	\$ 848	\$ 708	\$ 308,651	\$ 24,692	6.9%
<b>Bally's Atlantic City</b>						
2004	644,728	1,762	-	644,728	51,578	13.4%
2003	678,078	1,858	912	677,166	54,173	15.1%
<b>Borgata</b>						
2004	636,541	1,739	-	636,541	50,923	13.2%
2003	266,857	1,450	-	266,857	21,349	5.9%
<b>Caesars</b>						
2004	495,966	1,355	-	495,966	39,677	10.3%
2003	519,087	1,422	1,327	517,760	41,421	11.6%
<b>Harrah's Marina</b>						
2004	449,862	1,229	-	449,862	35,989	9.3%
2003	451,013	1,236	-	451,013	36,081	10.1%
<b>Resorts</b>						
2004	252,785	691	-	252,785	20,223	5.3%
2003	233,055	639	456	232,599	18,608	5.2%
<b>Sands</b>						
2004	190,209	520	-	190,209	15,217	4.0%
2003	185,764	509	1,188	184,576	14,766	4.1%
<b>Showboat</b>						
2004	392,581	1,073	-	392,580	31,406	8.2%
2003	377,755	1,035	49	377,706	30,217	8.4%
<b>Tropicana</b>						
2004 (a)	363,949	994	(116)	364,065	29,125	7.6%
2003	372,369	1,020	227	372,142	29,771	8.3%
<b>Trump Marina</b>						
2004 (a)	263,030	719	(55)	263,086	21,047	5.5%
2003	259,663	711	729	258,934	20,715	5.8%
<b>Trump Plaza</b>						
2004 (a)	318,335	870	(83)	318,418	25,473	6.6%
2003	318,250	872	342	317,908	25,433	7.1%
<b>Trump Taj Mahal</b>						
2004 (a)	503,282	1,375	(287)	503,569	40,285	10.5%
2003	517,085	1,417	1,590	515,495	41,240	11.5%
<b>TOTALS</b>						
2004	\$ 4,806,701	\$ 13,133	\$ (541)	\$ 4,807,242	\$ 384,578	100.0%
2003	\$ 4,488,335	\$ 12,297	\$ 7,528	\$ 4,480,807	\$ 358,466	100.0%

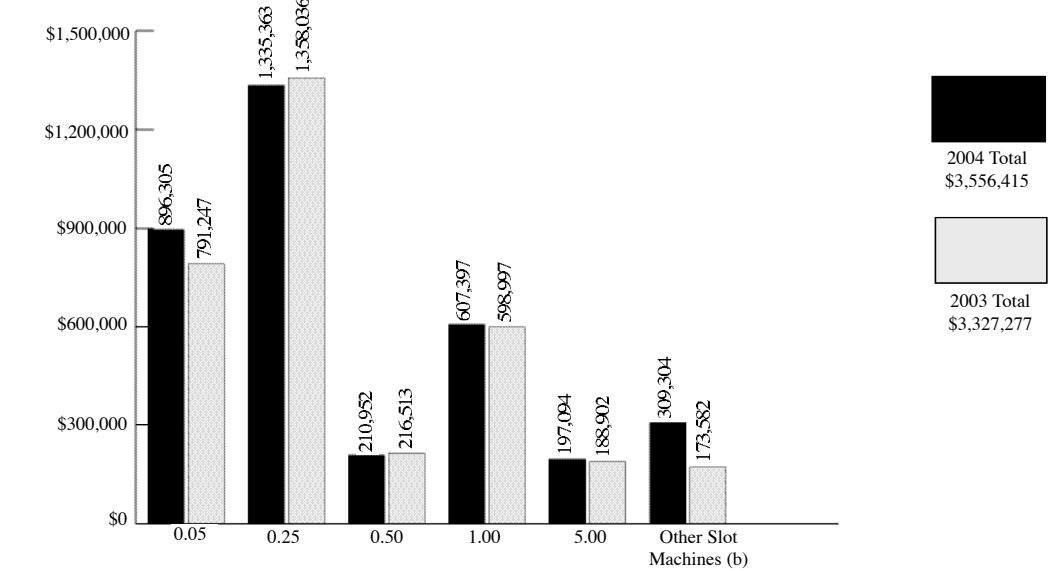
(a) 2004 amount reflects recovery of counter checks previously written off.

**NEW JERSEY CASINO INDUSTRY TOTAL GAMING WIN**  
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (\$ IN THOUSANDS)

**TABLE GAMES WIN COMPARISON**



**SLOT MACHINE WIN COMPARISON**



(a) Other games reflect Big Six, Minibaccarat, Sic Bo, Pai Gow Poker, Pai Gow, Keno, Caribbean Stud Poker, Let It Ride, Three Card Poker, Spanish 21, Colorado Hold’Em Poker, Boston 5 Stud Poker, Double Cross Poker, Four Card Poker, and Double Attack Blackjack.  
 (b) Other slot machines include \$25 slot machines, \$100 slot machines, multi-denominational machines and other denomination machines.

**NEW JERSEY CASINO INDUSTRY TOTAL VOLUME OF VENDOR BUSINESS**  
**FOR THE CALENDAR YEAR 2004**

	<i>Total Companies</i>	<i>Percent of Total Companies</i>	<i>Dollar Volume of Business</i>	<i>Percent of Total Business</i>
<b>New Jersey Enterprises</b>	2,561	100.00%	\$1,946,793,237	100.0000%
Atlantic	1,223	47.75%	\$1,280,424,092	65.7709%
Bergen	120	4.69%	\$17,438,518	0.8958%
Burlington	171	6.68%	\$97,165,405	4.9910%
Camden	208	8.12%	\$102,397,477	5.2598%
Cape May	83	3.24%	\$8,300,018	0.4263%
Cumberland	51	1.99%	\$17,875,978	0.9182%
Essex	72	2.81%	\$52,474,595	2.6954%
Gloucester	92	3.59%	\$30,037,680	1.5429%
Hudson	35	1.37%	\$25,584,760	1.3142%
Hunterdon	3	0.12%	\$732,974	0.0377%
Mercer	60	2.34%	\$16,434,142	0.8442%
Middlesex	76	2.97%	\$217,075,992	11.1504%
Monmouth	95	3.71%	\$13,767,449	0.7072%
Morris	44	1.72%	\$5,847,707	0.3004%
Ocean	88	3.44%	\$9,940,644	0.5106%
Passaic	36	1.41%	\$6,350,797	0.3262%
Salem	7	0.27%	\$1,126,601	0.0579%
Somerset	33	1.29%	\$32,788,825	1.6842%
Sussex	5	0.20%	\$78,529	0.0040%
Union	58	2.26%	\$10,950,010	0.5625%
Warren	1	0.04%	\$1,044	0.0001%

	<i>Total Companies</i>	<i>Percent of Total Companies</i>	<i>Dollar Volume of Business*</i>	<i>Percent of Total Business</i>
<b>Total Number of Vendors Receiving Payment</b>	6,353	100.00%	\$2,980,348,985 **	100.00%
New Jersey Enterprises	2,561	40.31%	\$1,946,793,237	65.32%
Pennsylvania Enterprises	747	11.76%	\$300,043,000	10.07%
New York Enterprises	724	11.40%	\$81,866,409	2.75%
Delaware Enterprises	26	0.41%	\$2,380,858	0.08%
All Other States	2,222	34.98%	\$641,914,925	21.54%
Foreign Enterprises	73	1.15%	\$7,350,556	0.25%

\* "Dollar Volume of Business" represents only money paid by casino licensees for good or services.  
This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

\*\* This dollar figure includes disbursements to subcontractors made pursuant to N.J.A.C. 19:43-10.6(a)5.

Numbers reflect the states in which the offices serving the hotel/casinos are located and may not be the states in which the enterprises are incorporated or have a home office.



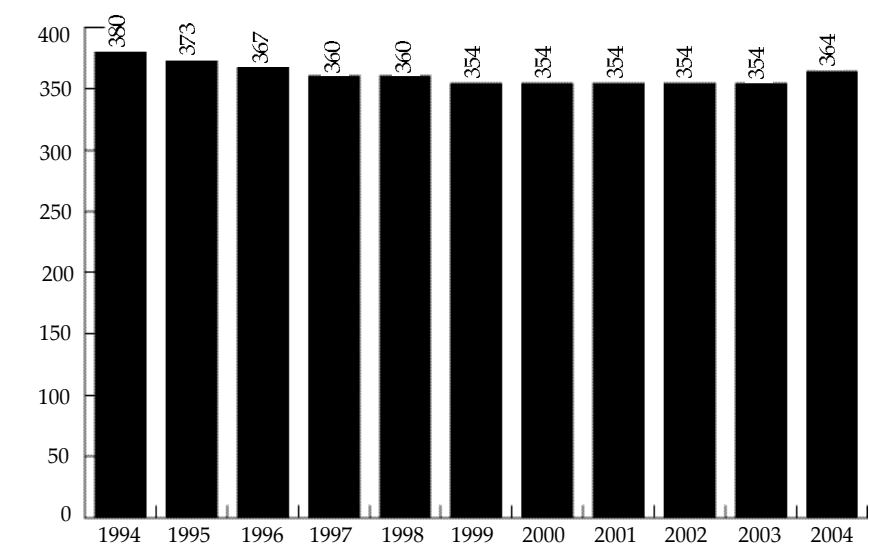
**NEW JERSEY CASINO INDUSTRY ENTERPRISE REGISTRATION AND  
LICENSING STATISTICS** *FOR THE PERIOD OF JANUARY 1, 2004 THROUGH DECEMBER 31, 2004*

<u>Registration and Licensing Processing Statistics</u>		<u>Registration and Licensing Status Totals</u>	
Vendor Registrations Processed	2,716	Universe of Active Vendors	12,050
Enterprises Prohibited from Conducting Business with Casino Licensees	249*	Universe of Prohibited Vendors	1,134 *
Exemptions From Licensure Granted By CCC	13	Gaming Schools Currently Operating	1
		Labor Organizations Currently Registered	7

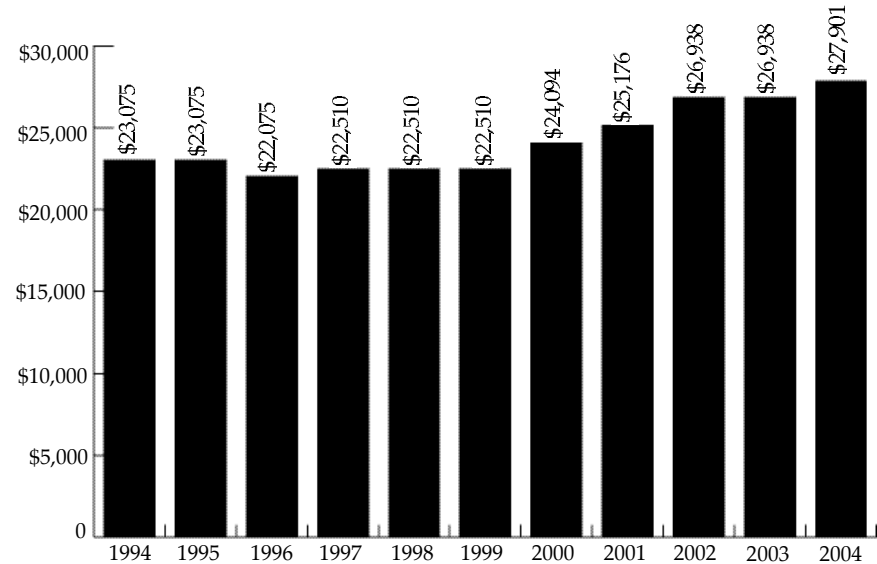
<i>Initial</i> <i>Casino Service Industry Licenses</i>		<i>Renewal</i> <i>Casino Service Industry Licenses</i>		<i>Licensed</i> <i>Casino Service Industry Enterprises</i>	
<b>Gaming Related:</b>		<b>Gaming Related:</b>		<b>Initial Licensees:</b>	
Applications Filed	9	Applications Filed	12	Gaming	17
Licenses Issued	6	Licenses Issued	9	Nongaming	662
Licenses Denied	1	Licenses Denied	0	Junket	19
Withdrawals Granted	3	Withdrawals Granted	0		
<b>Non-Gaming Related:</b>		<b>Non-Gaming Related:</b>		<b>Renewal Licensees:</b>	
Applications Filed	257	Applications Filed	132	Gaming	39
Licenses Issued	222	Licenses Issued	135	Nongaming	555
Licenses Denied	14	Licenses Denied	2	Junket	47
Withdrawals Granted	35	Withdrawals Granted	9		
<b>Junket Enterprises:</b>		<b>Junket Enterprises:</b>			
Applications Filed	7	Applications Filed	16		
Licenses Issued	7	Licenses Issued	4		
Licenses Denied	0	Licenses Denied	0		
Withdrawals Granted	4	Withdrawals Granted	0		

\* This figure includes enterprises prohibited from doing business for the following reasons: denial of a casino service industry license, failure to file a casino service industry license application, withdrawal of a casino service industry license, and nonfiling of a required vendor registration form.

**NEW JERSEY CASINO CONTROL COMMISSION NUMBER OF AUTHORIZED  
EMPLOYEE POSITIONS** *FOR THE FISCAL YEARS ENDED JUNE 30*



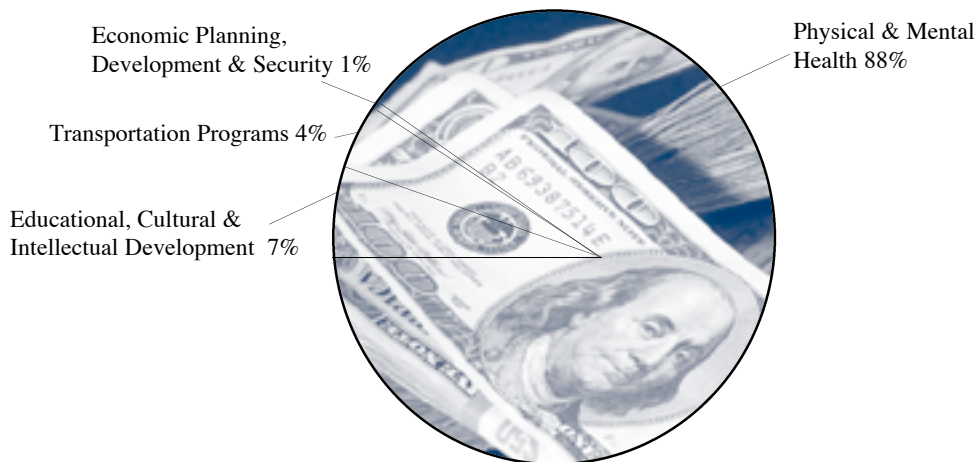
**NEW JERSEY CASINO CONTROL COMMISSION BUDGET APPROPRIATIONS** *FOR THE FISCAL YEARS ENDED JUNE 30*



## *Casino Revenue Fund Expenditures*

### **FISCAL YEAR 2004 (%)**

The Casino Revenue Fund total expenditures for the fiscal year 2004 amounted to \$573,549,077



New Jersey casinos pay the state 8% tax on their gross revenues appropriated to the Casino Revenue Fund for the benefit of the aged and disabled citizens of the State of New Jersey. Gross gaming revenue is the amount casinos win from gamblers after all payouts have been made.

Funding is also generated through five casino related taxes. The responsibility for administering these taxes was transferred by the State Legislature from the Division of Taxation to the Commission. The Casino Complimentary Tax imposes a 4.25% tax upon casino licensees on the value of complimentary rooms, food, beverage, and entertainment granted to patrons. The Casino Net Income Tax imposes a 7.5% tax on the adjusted net income of casino licensees. The Multi-Casino Progressive Slot Tax assesses an 8% tax on casino service industry multi-casino progressive slot revenue. The Casino Room Fee requires casinos to remit \$3.00 per day for each hotel room occupied by a guest. Revenues for these four taxes are deposited into the Casino Revenue Fund.

The Casino Parking Fee requires casinos to remit a fee of \$3.00 per day for any parking space in use

in their facility. One-half of the parking fee revenue is deposited into the Casino Revenue Fund, with the remaining half forwarded to the Casino Reinvestment Development Authority for statutory restricted projects.

The State Legislature, through the budget, determines the allocation of funds. Input from the Casino Revenue Fund Advisory Commission directs where the money can be spent.

Senior citizens and persons 18 or older with disabilities may qualify for Casino Revenue Fund programs. Qualified New Jersey residents realize tremendous benefits from the tax dollars generated by Atlantic City casinos. New Jersey has a number of programs designed to assist eligible residents in receiving needed health and social services.

A few of the programs include, AIDS Drug Distribution Program (ADDP), Adult Protective Services, Adult Day Services with Programs for Persons with Alzheimer's Disease or Related Disorders, Pharmaceutical Assistance to the Aged and Disabled (PAAD), Safe Housing and Transportation, and Statewide Respite Care Program.

# INDEPENDENT AUDITOR'S REPORT

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LEGISLATIVE SERVICES COMMISSION

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*Chairman*

SENATOR  
BERNARD F. KENNY, JR.  
*Vice-Chairman*

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RICHARD J. CODEY  
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LEONARD LANCE  
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ROBERT W. SINGER

GENERAL ASSEMBLY

CHRISTOPHER "KIP" BATEMAN  
FRANCIS J. BLEE  
JOHN J. BURZICHELLI  
ALEX DECROCE  
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JOSEPH J. ROBERTS, JR.  
LORETTA WEINBERG



*New Jersey State Legislature*

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

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TRENTON NJ 08625-0067

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*Executive Director*  
(609) 292-4625

RICHARD L. FAIR  
*State Auditor*  
(609) 292-3700  
FAX (609) 633-0834

The Honorable Richard J. Codey  
Acting Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

**INDEPENDENT AUDITOR'S REPORT**

We have audited the financial statements of the State of New Jersey Casino Control Fund as listed in the accompanying table of contents as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Casino Control Fund and are not intended to present fairly the financial position and results of operation of the State of New Jersey in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 2004 and 2003 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2005 on our consideration of the Casino Control Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Expenditure Detail schedule is presented for the purpose of additional analysis and is not a required part of the Casino Control Fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Casino Control Fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Richard L. Fair", is positioned above the printed name.

Richard L. Fair  
State Auditor  
April 8, 2005

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
BALANCE SHEET  
JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
Cash	\$ 51,000	\$ 51,000
Accounts Receivable	8,100,935	8,023,999
Less: Allowance for Doubtful Accounts	<u>64,471</u>	<u>42,161</u>
Net Accounts Receivable	8,036,464	7,981,838
Due from General Fund	<u>15,331,498</u>	<u>10,604,017</u>
Total Assets	<u>\$ 23,418,962</u>	<u>\$ 18,636,855</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities		
Accounts Payable	\$ 5,148,992	\$ 4,502,830
Deferred Revenue	<u>10,249,000</u>	<u>5,878,732</u>
Total Liabilities	<u>15,397,992</u>	<u>10,381,562</u>
Fund Balances		
Reserved for:		
Encumbrances	2,186,893	1,980,961
Unreserved:		
Designated for Continuing Appropriation	946,516	1,944,696
Undesignated	<u>4,887,561</u>	<u>4,329,636</u>
Total Fund Balances	<u>8,020,970</u>	<u>8,255,293</u>
Total Liabilities and Fund Balances	<u>\$ 23,418,962</u>	<u>\$ 18,636,855</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b><u>REVENUES</u></b>		
Casinos		
Licenses - Casino	\$ 44,628,255	\$ 41,411,777
- Slot Machine	21,240,569	19,605,006
- Alcoholic Beverage	180,482	139,895
Assessments	<u>-</u>	<u>-</u>
	66,049,306	61,156,678
Credits - Prior Year Fund Balance	<u>(8,255,293)</u>	<u>(2,081,841)</u>
Total from Casinos	<u>57,794,013</u>	<u>59,074,837</u>
Other Sources		
Licenses - Casino Employees	4,005,844	3,530,356
- Casino Service Industry	1,306,570	1,250,360
Equipment Prototype Testing	1,199,525	1,131,470
Other Revenues	<u>155,127</u>	<u>159,852</u>
Total from Other Sources	<u>6,667,066</u>	<u>6,072,038</u>
Investment Earnings	<u>184,809</u>	<u>239,795</u>
Total Revenues	<u>64,645,888</u>	<u>65,386,670</u>
<b><u>EXPENDITURES</u></b>		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	36,985,181	34,586,169
Government Direction, Management and Control (Casino Control Commission)	<u>27,895,030</u>	<u>24,627,049</u>
Total Expenditures	<u>64,880,211</u>	<u>59,213,218</u>
Net Increase (Decrease) in Fund Balance for the Year	(234,323)	6,173,452
Fund Balance - Beginning	<u>8,255,293</u>	<u>2,081,841</u>
Fund Balance - Ending	<u>\$ 8,020,970</u>	<u>\$ 8,255,293</u>

The accompanying notes are an integral part of the financial statements



**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

**B. Financial Reporting Entity**

The Casino Control Commission and the Division of Gaming Enforcement are agencies of the State of New Jersey. N.J.S.A. 5:12-143 established the Casino Control Fund to account for the financial transactions of these agencies.

**C. Fund Level Financial Statements**

The State of New Jersey issues government-wide financial statements that report information for all of the non-fiduciary activities of the State including that of the Casino Control Fund. Due to the legislative mandate that the Casino Control Fund be financed exclusively by licensing fees assessed upon the casino industry, a Fund Level Financial Statement is prepared for the Casino Control Fund.

A Fund Level Financial Statement includes a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

**D. Measurement Focus and Basis of Accounting**

The Casino Control Fund statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are included on the balance sheet. The operating statement for the fund presents increases and decreases in total fund balances.

In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Expenditures are recognized when the related fund liabilities are incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

**E. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which represents the fund's assets, liabilities, equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

**Governmental Fund Type - Special Revenue Fund**

The Casino Control Fund is a governmental fund type - Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 5:12-143) accounts for fees from the issuance and renewal of casino licenses and other license fees. Appropriations are made to the Casino Control Fund to finance the operations of the Casino Control Commission and the Division of Gaming Enforcement.

**F. Budgetary Process**

An annual budget is adopted for the Casino Control Fund. The Legislature enacts the budget through passage of specific appropriation, the sum of which may not exceed estimated revenues. The annual appropriations act for fiscal year 2004 authorized \$64,702,769 which consists of an original appropriation of \$62,737,000 and other authorized appropriations of \$1,965,769. Budgetary control is maintained at the program unit level.

During the year, the spending authority delineated in the appropriations act may be revised for supplemental appropriations approved by both the Legislature and the Governor. For fiscal year 2004, the Division of Gaming Enforcement was granted an additional appropriation of \$1,900,000.

A Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual-Budgetary Basis for the fiscal year ended June 30, 2004 is presented as required supplementary information to these statements. This statement presents a comparison of the final budget adopted for the Casino Control Fund with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformity with generally accepted accounting principals (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year.

There were no expenditures in excess of appropriations in the Casino Control Fund.

**G. Fund Balances**

The fund balances of the Casino Control Fund consist of the following:

- 1) Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- 2) Reserved – Other – Used to segregate a portion of the fund balance to provide for anticipated expenditures in future fiscal years.
- 3) Unreserved – Designated for Continuing Appropriations – Used to represent that portion of fund balance which has been appropriated by the Legislature.
- 4) Unreserved – Undesignated – Used to represent that portion of fund balance resources available for appropriation.

**H. Other**

Other significant accounting policies are described in Notes 2 to 10.

**NOTE 2 - Cash**

Represents a \$500 petty cash fund maintained by each agency and a \$50,000 confidential fund maintained by the Division of Gaming Enforcement.

**NOTE 3 - Accounts Receivable**

Represents amounts due from casinos and related entities. Net receivables are substantially collected within three months.

Allowance for doubtful accounts represents one hundred percent of non-current receivables.

**NOTE 4 - Due From General Fund**

Cash transactions of the Casino Control Fund are made by and through the General Fund cash accounts. The balance of cash for this fund held in the General Fund, after receipt and disbursement transactions, is accounted for and reflected in the Due From account on the Balance Sheet.

**NOTE 5- Capital Assets**

Capital Assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition. Assets greater than \$20,000 are also recorded in the State's government-wide financial statements. Capital assets are depreciated using the straight-line method, with one half of the year's depreciation charged in the year of acquisition and in the year of disposal. The State assigned estimated useful life for machinery and equipment is 5-15 years. A summary of these capital assets and related accumulated depreciation for the year ended June 30, 2004 follows:

<u>Program</u>	<u>Asset</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Accum. Depreciation</u>	<u>Net Capital Assets</u>
Government Direction, Management and Control	Machinery & Equipment	\$288,317	\$171,999	\$100,802	\$136,675	\$222,839
Public Safety and Criminal Justice	Machinery & Equipment	\$853,592	-	-	\$461,264	\$392,328

**NOTE 6- Deferred Revenue**

Deferred Revenue represents fiscal year 2005 and fiscal year 2004 slot machine license billings collected and recorded in June 2004 and 2003, respectively.

**NOTE 7 - Fund Balance**

The positive fund balance as of June 30, 2004 and June 30, 2003 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 2004 will be credited to casino licensees during fiscal year 2005 in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 2004. The balance at June 30, 2003 was credited in the same manner to casino licensees during fiscal year 2004.

**NOTE 8 - Employee Benefit Costs**

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from state service prior to retirement are not entitled to payments for accumulated sick leave balances. Sick leave accumulations

may also be used by an employee for a personal illness or injury as a means of continuing regular pay. The liability for accumulated employee sick leave balances as of June 30, 2004 and June 30, 2003 of approximately \$3.8 million and \$3.6 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

Employees annually earn 12 to 25 vacation days based on years of service and are permitted to carry over those days earned within a one-year period. The liability for accumulated vacation pay as of June 30, 2004 and June 30, 2003 of approximately \$1.3 million and \$1.2 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

**NOTE 9 -**

**Interest**

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during fiscal year 2004 and fiscal year 2003 was equal to the effective rate of return on investments in the General Fund and varied from 1.04% to 1.30% in fiscal year 2004 and from 1.35% to 2.26% in fiscal year 2003. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**NOTE 10 -**

**Contingent Liability**

As of the issuance date of these statements, the Casino Control Fund is not involved in any legal actions wherein there is potential for unanticipated expenditure. Should any legal actions subsequently materialize, N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

*REQUIRED SUPPLEMENTARY INFORMATION*

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Casino				
Licenses - Casino	\$ 37,208,577	\$ 35,141,577	\$ 36,372,962	\$ 1,231,385
- Slot Machine	21,097,322	21,097,322	21,240,569	143,247
- Alcoholic Beverage	180,000	180,000	180,482	482
Assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total from Casinos	<u>58,485,899</u>	<u>56,418,899</u>	<u>57,794,013</u>	<u>1,375,114</u>
Other Sources				
Licenses - Casino Employees	3,923,120	3,923,120	4,005,844	82,724
- Casino Service Industry	955,750	955,750	1,306,570	350,820
Equipment Prototype Testing	1,200,000	1,200,000	1,199,525	(475)
Other Revenues	<u>138,000</u>	<u>138,000</u>	<u>155,127</u>	<u>17,127</u>
Total from Other Sources	<u>6,216,870</u>	<u>6,216,870</u>	<u>6,667,066</u>	<u>450,196</u>
Investment Earnings	<u>-</u>	<u>180,000</u>	<u>184,809</u>	<u>4,809</u>
Total Revenues	<u>64,702,769</u>	<u>62,815,769</u>	<u>64,645,888</u>	<u>1,830,119</u>
<b>EXPENDITURES</b>				
Public Safety and Criminal Justice (Division of Gaming Enforcement)	35,854,148	36,730,428	37,265,566	(535,138)
Government Direction, Management and Control (Casino Control Commission)	<u>28,848,621</u>	<u>28,076,341</u>	<u>28,074,079</u>	<u>2,262</u>
Total Expenditures	<u>64,702,769</u>	<u>64,806,769</u>	<u>65,339,645</u>	<u>(532,876)</u>
Net Change in Fund Balance	-	(1,991,000)	(693,757)	1,297,243
FUND BALANCE - JULY 1, 2003	<u>-</u>	<u>4,329,636</u>	<u>4,329,636</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2004	\$ <u>-</u>	\$ <u>2,338,636</u>	\$ <u>3,635,879</u>	\$ <u>1,297,243</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW JERSEY  
CASINO CONTROL FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET-TO-GAAP RECONCILIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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Budgetary Basis - Net Increase in Fund Balances

\$ (693,757)

Differences - Budget to GAAP

Encumbrances for items ordered but not received are reported in the year the resources are encumbered for budgetary purposes, but in the year the items were received for GAAP purposes.

\$ 1,706,592

Expenditures in prior fiscal year accounts are reported in the year the resources are encumbered for budgetary purposes, but in the year the funds are disbursed for GAAP purposes.

(1,247,158)

Total Differences - Budget to GAAP

\$ 459,434

GAAP Basis - Net Increase in Fund Balances

\$ (234,323)

SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
EXPENDITURE DETAIL  
FISCAL YEARS ENDED JUNE 30, 2004 AND 2003**

	2004		2003	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
<b>EXPENDITURES:</b>				
Salaries	\$ 24,717,007	\$ 19,148,218	\$ 23,074,161	\$ 17,750,057
Payroll Taxes and Employee Benefits	6,571,777	5,511,075	5,114,827	4,235,539
Printing and Office Supplies	170,541	185,403	159,918	185,972
Vehicular Supplies	137,591	-	118,686	-
Travel	237,691	91,424	126,775	80,673
Telephone	317,323	181,719	298,982	178,314
Data Processing	684,939	1,044,890	590,941	522,129
Professional Services	115,402	33,492	200,310	61,592
Other Services Other than Personal	614,256	285,064	890,623	152,745
Rent-Facilities	2,008,376	1,176,506	2,176,997	1,100,652
Rent-Automobiles and Other	91,762	109,417	104,324	106,806
Indirect Costs	597,080	37,808	1,049,310	61,708
Improvements	19,200	-	-	-
Office Equipment	7,952	33,425	178,749	41,285
Vehicular Equipment	344,151	-	172,377	-
Other Equipment	350,133	56,589	329,189	149,577
<b>TOTAL EXPENDITURES</b>	<b>\$ 36,985,181</b>	<b>\$ 27,895,030</b>	<b>\$ 34,586,169</b>	<b>\$ 24,627,049</b>





# 2004 Annual Report

Richard J. Codey, Acting Governor

*New Jersey Casino Control Commission*

Linda M. Kassekert, Chair

Michael C. Epps, Vice Chair

Michael A. Fedorko

William T. Sommeling

Ralph G. Frulio

Commissioners

Tennessee Avenue and Boardwalk

Atlantic City, NJ 08401

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